



Natural Resources Conservation Service
1201 NE Lloyd Blvd., Suite 900
Portland, OR 97232

February 29, 2008

OREGON BULLETIN NO. OR-440-2008-2

SUBJECT: Annual Obligation Review and ProTracts Status Review

ACTION REQUIRED BY: Field and Basin Level – April 4th, 2008
State Office and State Conservationist – April 15th, 2008

Purpose. NRCS is required to annually review all unliquidated (open) obligations (both Financial and Technical Assistance) *that have been inactive for twelve months or more* in order to properly report our obligation balances, and to certify the validity of our agency financial statements. USDA regulations [DR-2230](#) and OMB directives require these annual reviews to ensure invalid and unneeded funds are deobligated and made available for other uses, to reduce the risk of misuse of funds, and improve the Treasury's ability to forecast borrowing needs. Unliquidated obligations are the amount of financial obligations not yet expended or paid out in our financial system (FFIS), including support documentation for Farm Bill Programs currently residing in ProTracts. Each year as of July 31, NRCS is required to prepare a statement for the Secretary of Agriculture to document that our accounting systems provide complete, timely, reliable, and consistent information to support Federal decision-making.

Expiration Date. September 30, 2008.

This bulletin provides instruction and actions required by April 4th and April 15th, 2008, to reduce the invalid open obligations in the NRCS FFIS accounting system and ProTracts. A data sample of all unliquidated obligations showing inactivity for 12 or more months was selected by NHQ for Oregon. For these purposes, inactive means there have been no recorded certifications (e.g. receipt of services/practices), payments, or modifications of items specified in the ProTracts / FFIS obligation, such as a contract item in an EQIP contract or a product or service specified in an agreement. In order to achieve the right results, the review activities will require a commitment of time and knowledge from a cross-section of employees at the Field Offices; Programs; Contracting and Financial staff levels. Employees from all disciplines must work together to fulfill the requirements of the open obligation review undertaking because ultimately the solution to not having to complete a detailed review on hundreds of documents is preventing the obligation from ever getting to the invalid obligations stage in the financial system. Although this annual review is mandated, unsupported obligation amounts should always be deobligated whenever a change occurs that makes the obligation unneeded. Simply stated, our goal for this endeavor is to review all open obligations and release (deobligate) those funds that are no longer needed for the specified contract item or product, and certify the validity of existing obligations.

The State Conservationist has developed a plan of action for meeting the established due dates and timeframes for the review for Field and State Office. **This timeframe must be met. NO EXCEPTIONS.**

In Phase 1 of the obligation review process, Oregon will review obligations under the mandatory conservation programs recorded in the FFIS system that have been inactive for 12 or more months. Excel Spreadsheets for mandatory funds' obligations that have had no activity for 12 months or more as of December 31, 2007 were furnished to each Basin Team Leader for redistribution to field offices. All of these mandatory program obligations must be reviewed and have an NRCS-CPA-13 Status Review certification completed including required supplemental document. They must be received in State Office Program Section by close of business April 4th, 2008.

Before beginning the Review process, please review attachments 1 - Criteria for Reviewing Obligations, that define what data elements in the contract you must review and take into consideration and data that should be present in the contract file.

For EQIP and WHIP the ProTracts generated Excel spreadsheet report has been developed cooperatively between FMD and Programs' Financial Assistance Programs Division (FAPD) to better identify Farm Bill contracts that are actually late or behind schedule as opposed to all FFIS obligations that have been inactive for 12 months. FAPD staff developed data queries to select ProTracts contracts that have high percentages of unliquidated obligation balances as compared to contract age to identify contracts that are late or off-schedule. All of the ProTracts contracts selected for this review have contract items that were scheduled to be completed in 2007 and prior years, hence the December 31, 2007, run date. All the contracts selected for open obligation review by this process are in fact behind schedule and in need of Contract Review (Status Review) per requirements in The Conservation Program Manual (CPC), Title 440, Part 512.

The ProTracts Contract Review module was released in 2007. (See Attachment 3 - Contracting Policy). A Net Replay recording and PowerPoint presentation on use of the Contract Review module is available on the ProTracts homepage.

Oregon will use the Contract Review Module residing in ProTracts for all ProTracts based contracts to optimize Oregon's effort to manage the Farm Bill contracts and achieve the strategic goals for conservation implementation.

Future improvements to the NRCS-CPA-13, Contract Review form, will include consideration of open obligations and bona fide purpose in new data fields to satisfy requirements for both CPA contract reviews and FMD financial obligation reviews. However for the FY2008 review there will be a manually completed Supplement to the CPA-13. (See attachment 2 - Supplemental to NRCS-CPA-13). In addition you must document on the NRCS-CPA-13, Box 7 - Revision of Plan or Modification, the bona fide purpose and justification statement as shown in attachment 1 - Criteria for Reviewing Obligations. For future year reviews these and other improvements are being discussed to make the obligation review a more integrated process with active Farm Bill contract management at the field and State office level.

Required documentation to be submitted to support review includes the following:

- Copy of fully completed NRCS-CPA-13 with electronic signature of NRCS representative completing the Status Review **including the bona fide purpose statement.** (If a manual NRCS-CPA-13 has been completed between

12/31/2007 and now, you must reenter the data in the ProTracts Contract Review Module adding the bona fide purpose statement, plus complete the supplemental CPA-13 data.) Participant's signature on out of compliance contracts is an Oregon NRCS requirement. Please do not delay sending the documents to the State Office while awaiting a signature on the status review. You can obtain the signature at the same time the Producer signs the contract modification. Please send a replacement copy of the Status Review to FNM when actually signed. We will insert it into the documentation.

- Completed NRCS-CPA-13 Supplemental document.
- We DO NOT NEED copies of the contract or signature pages, however included in information in attachment 1 - Criteria for Reviewing Obligations is a check box list of items (minimum) that must be present in the contract file to support legitimacy of the contract for audit purposes. You may reproduce the attachment and use the check boxes if desired (not mandatory).

SEND DOCUMENTS, AS THEY ARE COMPLETED, TO LOUISE DAVIS (EQIP/WHIP) AND SANDRA FIFE (WRP). Do not hold and send in a batch.

NRCS-CPA-13 and supplemental documents which do not contain sufficient detail to support Program; Financial, and bona fide purpose, will be return to the Field Office and must be redone by the April 4th, 2008 deadline.

Contracts must be modified to bring them into compliance; or cancelled/terminated if deemed appropriate via Program Rules. A second state level program review will be performed in 60 days to assess status of modification or cancellation/termination progress.

Oregon State Conservationist must perform final certification of the review findings and certify to the Chief in writing that this review is complete and accurate by April 15th, 2008.

Retention of Documentation to support audit:

Field Office: File documents in contract files in accordance with Program directives.

State Office FNM will retain the following for a period of five years for future OMB, GAO, and OIG audit reviews.

- Copy of NRCS-CPA-13 with electronic signature of field office employee completing the Status Review and manual signature of producer if contract remains out of compliance.
- Bona fide purpose and justification statement for the period of inactivity documentation (Document in CPA-13, Box 7 - Revision of Plan, or Modification).
- The Master FMD Excel spreadsheet showing the Program Assistants and Financial Management personnel initials confirming the obligation documentation has been reviewed and is sufficient for both Program and Financial review.
- Certification statement signed by the State Conservationist.

In Phase 2 of the 2008 review process, Oregon will review all open obligations in discretionary programs that have been inactive for 12 months or more. During the week of March 31 NHQ will be sending the data list for discretionary funds' obligations that must be reviewed. Discretionary programs' obligations must be reviewed and have certifications submitted to NHQ by May 30, 2008. We expect this list to also be extensive base on the number of miscellaneous agreements we maintain. We realize this is an aggressive schedule to carry out review of both Financial and Technical open obligations, but it is necessary to meet the established timeframes for reporting our total unliquidated, as required by Department regulations.

/signed/

/signed/

BILL WHITE
Leader – Programs

LESLEY KELLY
State Administrative Officer

Enclosures

cc via website:

<http://www.or.nrcs.usda.gov/intranet/bulletins/bulletins07-08.html>

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